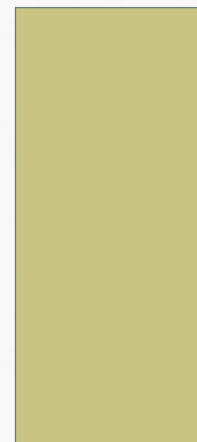


BRIEFING I: MANDATES AND ELIGIBILITY FOR FEDERAL SUBSIDIES AND MEDICAID

EXCHANGE ADVISORY BOARD BRIEFING
JANUARY 9, 2013



PURPOSE OF BRIEFINGS

- Provide high level overviews of key issues related to Exchange decisions and implementation
- Topics determined by Advisory Board requests
- Next briefing: March
 - “What will be available to buy on the Exchange?”

TODAY'S AGENDA

- Provide an overview of:
 - ACA coverage expansion
 - Individual and Employer mandates
 - Affordability guidelines under the ACA
 - Update on how the Exchange is addressing affordability

THE COVERAGE EXPANSION

WHO ARE THE UNINSURED?

Rhode Island's Uninsured Adults

	2008-2009	2010-2011	Change from 08-09 to 10-11
Uninsured	117,400 (13%)	120,500 (13.6%)	+3,100 (.6%)**
Employer Sponsored Insurance	584,600 (65%)	557,300 (63%)	-27,300 (1.9%)**
Medicaid	161,900 (18%)	171,200 (19.3%)	+8,300 (1.2%)**

Based on the current Census:

- **Highest number of uninsured in New England**
- **14th lowest uninsured rate in the country**

Who are the uninsured in our country?

- 47.9 million (7.9 kids)
- Majority are from working families
- Majority U.S. citizens (80%)
- All of age groups (under 65)
- Uninsured rate among young adults:
 - Improved due to ACA under 26 provision
 - 19-25 yr olds, 17% rate, still one of the highest

ACA: EXPANDING ACCESS TO COVERAGE

Federal reform, post 2014, envisions affordable coverage for most Rhode Island residents, through one of three ways:

Employer Sponsored Coverage

Affordable

Medicaid

Rhode Islanders with income* at or below 138% FPL (including childless adults)

Premium Tax Credits

Federally subsidized coverage for Rhode Islanders with income* above 138% to 400% FPL

SHOP Exchange

For Small Groups

Exchange is Gateway

SUBSIDIES (ADVANCED PREMIUM TAX CREDIT; APTC)

- ACA provides tax credits for people at 138-400% FPL to reduce premium costs
- Amount of tax credit varies with income and is based on premium for second lowest cost silver plan in Exchange

Income Level	Premium as a Percent of Income
Up to 133% FPL	2% of income
133-150% FPL	3 – 4% of income
150-200% FPL	4 – 6.3% of income
200-250% FPL	6.3 – 8.05% of income
250-300% FPL	8.05 – 9.5% of income
300-400% FPL	9.5% of income

APTC EXAMPLE

- Tim is 40 years old and makes \$30,000 (250% FPL)
- Cost of 2nd lowest cost silver plan is \$400/month
- According to ACA, Tim would not have to pay more than 8.05% of income (\$201/month) to enroll in 2nd lowest cost silver plan
 - Tim gets \$199/month in tax credit (\$2,388/year)
 - Tim can apply his subsidy to a cheaper plan (keep the savings) or more expensive plan (pay the difference)

COST-SHARING REDUCTIONS (CSRS)

- CSRs for families with incomes at or below 250% FPL
 - Bigger reductions for lower-income families
- Protect insured lower-income individuals from high out-of-pocket costs at time of service
 - CSR plans may have reduced copays, deductibles, co-insurance, or out-of-pocket maxes

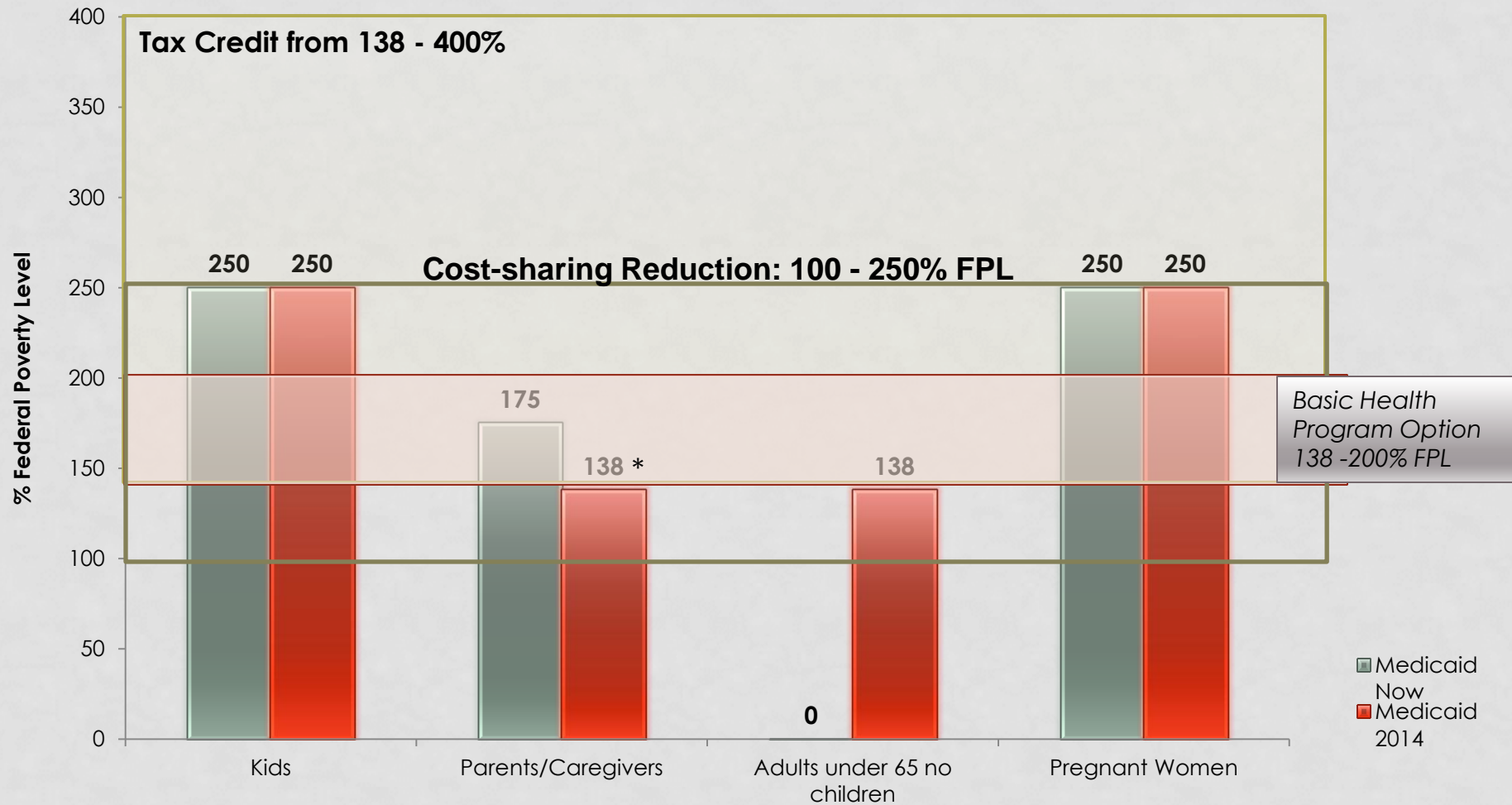
BASIC HEALTH PROGRAM

- State option to provide affordable coverage for individuals with lower income
- Eligibility
 - Incomes between 138 -200% FPL OR
 - Legal permanent residents below 138% FPL who are not eligible for Medicaid (e.g., on 5 year waiting period)
 - Not eligible for other affordable coverage
- Financing
 - Federal - State receives a payment from federal government for BHP members based on what the federal government would have spent on Exchange-based subsidies for those members
 - Member – Member contributions set by state program

EMPLOYER COVERAGE AND AFFORDABILITY

- People offered employer coverage are eligible for APTC if:
 - Employer plan is not affordable (i.e. premium exceeds 9.5% of income); or
 - Employer plan does not offer minimum value (i.e. not expected to cover more than 60% of enrollee's costs)
- If employer coverage is not affordable or does not offer minimum value, employer may be subject to penalties (more information on later slides)

INSURANCE AFFORDABILITY PROGRAMS



WHAT IS THE EXCHANGE DOING TO PROMOTE AFFORDABILITY?

- Price, quality, and outcomes negotiations with BC, United, Tufts and NHP
 - Negotiate with carriers on behalf of individuals and small businesses to give a voice to consumers
 - Collect and analyze quality and outcomes data for health plans
 - Provide data in meaningful ways to help consumers make informed choices
 - Allow employees freedom to choose among plans with same information as individuals
 - Support delivery system efforts already underway and foster new creative approaches
- **2014 goal:** At least one less expensive plan available in both small group and individual groups
- **After 2014:** Ongoing negotiation on innovative approaches to help manage premium costs and encourage appropriate utilization of care, increased quality, and improved outcomes

INDIVIDUAL AND BUSINESS REQUIREMENTS OF ACA

INDIVIDUAL MANDATE

- U.S. citizens and legal residents must have qualifying health coverage.
 - Exemptions:
 - Religious objections
 - American Indians
 - Those without coverage for less than three months
 - Undocumented immigrants
 - Incarcerated individuals
 - Those for whom the lowest cost plan option exceeds 8% of an individual's income
 - Those with incomes below the tax filing threshold

INDIVIDUAL MANDATE PENALTIES

- Penalty phase-in schedule:
 - **2014:** \$95 per adult and \$47.50 per child (up to max of \$285 per family), or 1.0% of income, whichever is greater
 - **2015:** \$325 per adult and \$162.50 per child (up to a max of \$975 per family), or 2.0% of income, whichever is greater
 - **2016:** \$695 per adult and \$347.50 per child (up to a max of \$2085 per family), or 2.5% of income, whichever is greater.
 - **After 2016:** the penalty will be increased annually by the cost-of-living adjustment

EMPLOYER COVERAGE REQUIREMENT

Fewer than
50 Employees

- Not required to offer coverage

50+
Employees

- May be penalized if they don't offer coverage to their workers, or if the coverage offered isn't sufficiently affordable or comprehensive, and the employees end up getting subsidized coverage on the individual Exchange

200+
Employees

- Must automatically enroll employees in health plans (employees can opt out)

LARGE EMPLOYER RESPONSIBILITIES

- Large Employers (50 or more full time equivalents (FTEs))
 - If employer does NOT offer coverage and at least 1 employee receives a premium tax credit → Penalty = \$2,000 per FTE excluding first 30 employees
 - If employer OFFERS coverage but it is not affordable or does not offer “minimum value” → Penalty = lessor of \$3,000 for each employee receiving premium credit or \$2,000 for each FT employee excluding first 30 employees
 - Penalties effective January 1, 2014
- Large Employers (More than 200 employees)
 - Automatically enroll employees into health insurance plans offered by the employer
 - Employees may opt out of coverage.

SMALL EMPLOYERS: CARROTS BUT NO STICKS

- Fewer than 50 employees
 - No requirement to offer coverage
- Small Business Tax Credit
 - Fewer than 25 employees
 - Average annual wages < \$50,000
 - Not counting wages of the owner or her family
 - Employer pays at least 50% of premium cost
 - Non-profits eligible too

HOW MUCH IS THE TAX CREDIT WORTH?

- Level of credit depends on number of employees and their average wages.
- Highest credit is 35% of firm's health insurance costs
 - For firms with <10 employees with average wages <\$25,000

Example: Tina's Bakery has 7 employees with average wages of \$24,000. She made \$100,000 in profit, and without the credit her federal income tax would be \$30,000. She spent \$40,000 on health insurance for her employees.

The tax credit would save Tina **\$14,000** (35% of \$40k) And a credit subtracts dollar-for-dollar from her final tax. That's better than a deduction that only reduces taxable income. With the credit, Tina would owe \$16,000 in taxes.

ADDITIONAL REQUIREMENTS FOR EMPLOYERS

*By March 1, 2013, must provide written notice:

- (1) informing employees of the existence of an Exchange, including a description of the services provided, and how to contact the Exchange for assistance;
- (2) if the employer plan's share of the total allowed costs of benefits provided under the plan is less than 60 percent of such costs, that the employee may be eligible for a tax credit if the employee purchases a QHP through the Exchange; and
- (3) if the employee purchases a QHP through the Exchange, the employee may lose the employer contribution (if any) to any health benefits plan offered by the employer

**Based on proposed rule, awaiting further guidance*

QUESTIONS?

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